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AUDIT OF
RESEARCH GRANTS FOR
CHIANGMAI UNIVERSITY
PROJECT NO. 398-0249

AUDIT REPORT NO. 2-493-88-07-N
JANUARY 29, 1988

UNITED STATES GOVERNMENT

Memorandum

TO: Dr. John R. Eriksson
Director, USAID/Thailand

DATE: January 29, 1988
RIG/EA-88-102

FROM: Leo L. LaMotte *Leo LaMotte*
Regional Inspector General for Audit

SUBJECT: Audit Report No. 2-493-88-07-N
Audit of the Research Grant for Chiangmai University
Project No. 398-0249

Attached is a copy of the final report on the subject audit. The certified public accounting firm of Ernst & Whinney (Bangkok) prepared the report dated August 26, 1987. The purpose of the review was to determine whether project funds were being properly accounted for in compliance with the terms of the grant and other applicable A.I.D. policies and procedures and to identify and evaluate the accounting systems and internal controls of the funds.

Chiangmai University was the recipient of two A.I.D. grants totaling \$257,400 under the Program Development and Support Project No. 398-0249 which was to enhance science and technology development in Thailand. The first grant amounting to \$17,400 for the period April 22, 1985 to November 30, 1987 provided for research on "Development of an Immunoperoxidase Test for Early Diagnosis of Acute Reactional States in Early Leprosy Patients." A second grant of \$150,000 for the period June 3, 1985 to October 31, 1987 focuses on "Evaluation in Vitro of Interleukin 1 and Interleukin 2 as Possible Immunotherapeutic Agents in Leprosy."

The auditors performed substantive and compliance tests on transactions totaling \$180,053 or 88% of actual expenditures. Of this amount, \$120,591 in costs were questioned. The grantee was found to have complied with all other material terms and conditions of the grant agreement examined.

This report recommends that USAID/Thailand resolve with Chiangmai University questioned costs in the amount of \$120,591, and that USAID/Thailand assist the University to resolve internal control problems identified in this report. These recommendations however will not be separately included in the Inspector General's audit recommendation follow-up system by mutual agreement of USAID/Thailand and RIG/A/Manila. Instead, these recommendations are consolidated into Audit Report No. 2-493-88-04-N entitled "Audit of Science and Technology Research Grants, Project No. 398-0249."

Ernst & Whinney

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26th August, 1987

Mr. Leo L. La Motte,
Regional Inspector General/Audit,
Agency for International Development,
Ramon Magsaysay Center,
1680 Roxas Blvd., Manila 2801,
PHILIPPINES.

Dear Sir,

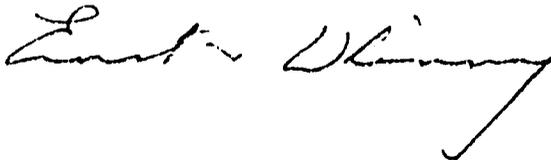
CHIANG MAI UNIVERSITY
- Grant No. 936-5542-G-00-5056-00
- Grant No. 936-5542-G-00-5044-00

We have completed our examination of the systems and controls with respect to the above captioned in accordance with the contract no. 398-0249-C-00-6048-00 dated 19th June, 1986 as per amendment no. 1 and 2 and present herewith our findings and recommendations.

The matters dealt with in this report are based on the information and documents provided to us and therefore our comments cannot be expected to be exhaustive and to include all possible weaknesses on the systems of accounting and internal control.

Should you require clarification on the report or additional information to be added to, please feel free to contact us.

Yours faithfully,



Encl.
RT: jk

**RESEARCH GRANT
CHIANG MAI UNIVERSITY**

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Ernst & Whinney

1. INTRODUCTION

This report provides the results of our review of accounting system and internal control under the contract of which the contents are summarised as follow :

GRANTEE : The Royal Thai Government acting through the Department of Technical and Economic Cooperation. Chiang Mai University will act on behalf of the Department of Technical and Economic Cooperation concerning the administration of the grant.

GRANT : The grants included in the exercise are summarised as follow :

<u>Grant No.</u>	<u>Project Outline</u>	<u>Project Period</u>	<u>Budgeted Amount</u> <u>US\$</u>
936-5542-G-00-5044-00	Development of an Immunoperoxidase Test for Early Diagnosis of Acute Reactional States in Early Leprosy Patients	22/4/85-30/11/87	107,400
936-5542-G-00-5056-00	Evaluation in Vitro of Interleukin 1 and Interleukin 2 as Possible Immunotherapeutic Agents in Leprosy	10/6/85-31/10/87	150,000

RESULT OF AUDIT :

<u>Grant No.</u>	<u>Date of Report</u>	Fund	Actual	Questioned		
		Received	Spending	Costs		
		<u>to date</u>	<u>Reported</u>	<u>Amount Verified</u>	<u>US\$</u>	
		<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>%</u>	<u>US\$</u>
936-5542-G-00-5044-00	31/3/87	95,829	95,381	83,952	88	27,973
936-5542-G-00-5056-00	31/12/86	<u>121,777</u>	<u>108,553</u>	<u>96,101</u>	<u>88</u>	<u>92,618</u>
		217,606	203,934	180,053	88	120,591
		=====	=====	=====	==	=====

REMARK : The above tabulation is based on the exchange rate of US\$ 1 = Baht 26 which had been adopted in translating Baht figures to U.S. dollars.

: For questioned costs, details are set out in individual grant reports in Baht value as follow :

<u>Grant Number</u>	<u>Appendix</u>
936-5542-G-00-5044-00	I
936-5542-G-00-5056-00	II

2. INITIAL DISCUSSION

Initial discussion with the principal investigators, the field work in respect of evaluating, testing the systems of internal control, reported expenditure and compliance thereto with terms of grant agreement and final discussion on findings with the principal investigators were conducted during 15th April, 1987 to 20th April, 1987.

3. ADMINISTRATION OF GRANTS

	<u>Chiang Mai</u> <u>University</u>	<u>Principal Investigators</u>
- Receiving of fund		/
- Custody of project fund		/
- Procurement of goods and services		/
- Receiving of goods and services		/
- Disbursement authorization		/
- Staff recruitment		/
- Recording of books of account		/
- Financial report		/
- Custody of books of account		/
- Physical control		/
- Management control		/

4. AUDIT

For the Grant no. 936-5542-G-00-5056-00, audit was carried out by the internal auditors of Department of Technical and Economic Cooperation for the period of June, 1985 to November, 1986. The audit scope was limited to review of control over fixed assets.

An audit report issued on 9th January, 1987 reported "no fixed assets register nor tag numbers are assigned to fixed assets. The recommendation was that, the register should be prepared separately from faculty's assets and a copy submitted to Department of Technical and Economic Cooperation".

At the time of this exercise, the recommendation is being implemented.

However, for the Grant no. 936-5542-G-00-5044-00, at the time of this exercise no audit had been conducted by the internal auditor of Chiang Mai University or Department of Technical and Economic Cooperation and Office of the Auditor General of Thailand.

5. SCOPE OF WORK

The objective of the exercise is to review financial and internal control systems established by the principal investigators. Specifically, under the terms of the engagement this encompasses :

- 5.1 Hold initial discussion with the principal investigators concerning systems review and audit work to be performed.
- 5.2 Examine the accounting systems and internal controls of the principal investigators.
- 5.3 Ascertain the propriety of procedures used by the grantee to authorize and bill USAID for expenditures under the grant.
- 5.4 Examine a representative sample of expenditures reimbursed by USAID as to their compliance with USAID requirements.
- 5.5 Ascertain whether the grantee had completed with the terms of the grant.
- 5.6 Prepare an audit report for RIG/A/MANILA which include an outline of specific deficiencies as well as any recommendations for improvement.

The examination was conducted in accordance with generally accepted governmental auditing standards appropriate to the scope of audit as described below.

The scope of audit encompassed an examination of principal investigators' financial operating procedures, financial transactions, accounts and reports and included such tests of these records and such other auditing procedures as were necessary in the circumstances. Our audit does not include coverage of the economy and efficiency of operations, nor do we attempt to assess the results of the contract performance.

Receipts and disbursements were documented and reviewed. Compliance and substantive tests were carried out.

6. FINANCIAL STATEMENTS

We have examined the Status Of Funds/And Request For Funds of Chiang Mai University for the grants and the periods as set out in section 1 of this report.

Our examination was made in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Auditing of Governmental Organisations, Program, Activities and Functions, issued by the U.S. Comptroller General in 1981, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Status Of Funds/And Request For Funds includes costs in the amount of US dollars 120,591 as set out in section 1 of this report which we have questioned for the adequacy of supporting documentation and for disallowance under the terms of grant agreements.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the ultimate resolution of the allowability of the questioned costs contained in the Status Of Funds/And Request For Funds been known, the Status Of Funds/And Request For Funds of Chiang Mai University for the grants and the periods as set out in section 1 presents fairly the expenditures, in conformity with generally accepted accounting principles.

This report is intended solely for the use of the Agency for International Development and should not be used for any other purposes.

7. COMPLIANCE MATTERS

We have examined the Status Of Funds/And Request for Funds of Chiang Mai University for the grants and the periods as set out in section 1 of this report.

Our examination was made in accordance with generally accepted auditing standards; the provisions of Standards for Audit of Governmental Organisations, Programs, Activities and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the Guidelines for Financial and Compliance Audits of AID Financed Agreements and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our examination, we found that for the grant items tested, Chiang Mai University complied with the material terms and conditions of the terms of grant agreements, except as stated below in the individual grant reports as follow :

<u>Grant Number</u>	<u>Appendix</u>
936-5542-G-00-5044-00	I
936-5542-G-00-5056-00	II

As for the transactions not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that Chiang Mai University had no complied with the material terms and conditions of the terms of grant agreements.

8. STUDY AND EVALUATION OF INTERNAL ACCOUNTING CONTROL

The management of the research grantee institution is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the research grantee institution are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the research grantee institution's authorization and recorded properly to permit the preparation of the Status Of Funds/And Request For Funds in accordance with the accounting practices prescribed by OMB Circular A-122, Cost Principles for Nonprofit Institutions and the terms and conditions of the grant agreements. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected.

Our study and evaluation revealed weaknesses in the systems of internal control to which the weaknesses and recommendations are addressed in this section. The matters as addressed came to our notice during the conduct of financial and compliance audit which are designed primarily with a view to the expression of opinion on the accounts and compliance with the terms and conditions of the grant agreements and our comments cannot be expected to include all possible weaknesses in the systems of accounting and internal control. Accordingly, we do not express an opinion on the system of internal accounting control of Chiang Mai University and principal investigators taken as a whole. However our study and evaluation disclosed no condition that we believe to be a material weakness.

Findings and recommendations resulting from study and evaluation of internal accounting control are as follow :

8.1 ADMINISTRATION OF GRANT FUNDS

Finding

Administration of grant funds are by the principal investigators.

Recommendation 8.1

In order to promote the efficiency and effectiveness of research undertaken by the principal investigators, (ie : to allow greater time to be devoted to research work) administration could be performed by Chiang Mai University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

8.2 SEGREGATION OF DUTIES

Finding

For the two grants included in the exercise there is inadequate segregation of duties of which functions are vested solely with one person as follow :-

8.2.1 For the Grant no. 936-5542-G-00-5044-00

1. Preparing payment voucher
2. Custody of unused cheque
3. Preparing cheque
4. Recording of books of account
5. Preparing bank reconciliation

8.2.2 For the Grant no. 936-5542-G-00-5056-00

1. Approval of payment
2. Approval of hiring/termination
3. Receiving and banking grant fund
4. Preparing cheque/bank's withdrawal voucher for payment
5. Arranging/distribution of pay packets
6. Recording of disbursement

Recommendation 8.2

It is recommended that the function of recording, authorisation, custody and execution be segregated from one another in order to strengthen control over the project fund.

8.3 CHEQUE DISBURSEMENT

Finding

For the two grants included in the exercise authorisation for disbursement from bank savings and current accounts are by the Principal Investigator only.

Recommendation 8.3

It is recommended that disbursements from bank accounts be authorised by two persons in order to increase the element of checking as to the propriety of payments.

8.4 DISBURSEMENT - TERMS OF GRANT AGREEMENT

Finding

For the two grants included in the exercise disbursements are neither in accordance with the terms of grant agreement nor are there prior written approval from USAID.

Recommendation 8.4

It is recommended that disbursement not in accordance with the terms of grant agreement should be made against prior written approval from USAID.

8.5 FIXED ASSETS

Finding

For the two grants included in the exercise no fixed assets register nor tag numbers are assigned to fixed assets of the projects.

Recommendation 8.5

In order to provide a sound control over fixed assets, acquisition date, value, location, tag number be maintained and kept up to date. Tag numbers should be affixed to assets to facilitate identification and inspection of assets against register is to be carried out annually.

8.6 EVIDENCE OF GOODS AND SERVICES RECEIVED

Finding

For the two grants included in the exercise no evidence of receiving of goods and services are available in certain cases, such that there is no proof as to the receipt of benefits.

Recommendation 8.6

It is recommended that receiving reports or acknowledgement on delivery order be prepared in order to substantiate that benefits had been received.

8.7 TRAVEL VOUCHER

Finding/Recommendation 8.7

With reference to Grant no. 936-5542-00-5044-00 in order to comply with the terms of grant agreement, travel voucher should be prepared for requisition of travelling and submitted to responsible official for approval. The travel vouchers should indicate the following :

- (a) time and date of departure and arrival,
- (b) locations visited,
- (c) details of costs incurred, supported by documentation,
- (d) purpose of trip,
- (e) approval by responsible official.

8.8 APPROVAL FOR RECRUITMENT OF STAFF OR RATE ADJUSTMENT

Finding

With reference to Grant no. 936-5542-G-00-5044-00 no written approval for recruitment of staff and rate adjustment are available such that there is no proof that recruitment of staff or rate adjustment are made by authorized person.

Recommendation 8.8

It is recommended that written authorization by a responsible person should be undertaken for any changes as to rate or personnel and be provided to accounting staff prior to disbursements.

8.9 CASH BOOK

Finding

With reference to Grant no. 936-5542-G-00-5044-00 savings account and related interest income are not recorded in book of account. Only current account (eg. cheques account) transactions are recorded.

Recommendation 8.9

It is recommended that transactions related to savings account also be recorded in book of account in order to strengthen internal control over all project fund. In addition, monthly reconciliation between book of account and bank books should be carried out.

8.10 BANK RECONCILIATION

Finding

With reference to Grant no. 936-5542-G-00-5056-00 no reconciliation of cash balances in cash book of the project and bank statement is made.

Recommendation 8.10

Such reconciliation should be prepared and documented on a monthly basis and submitted to a higher responsible official for review and be initialled as evidence of reviewing.

8.11 TIME RECORD

Finding/Recommendation 8.11

With reference to Grant No. 936-5542-G-00-5056-00 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

8.12 ISSUANCE OF PAYMENT VOUCHER

Finding

With reference to Grant no. 936-5542-G-00-5056-00 payment vouchers are not prepared prior to disbursement for purchase of equipment, material and supply.

Recommendation 8.12

In order to ensure that all payments are made with prior approval, payment vouchers should be prepared and effectively authorised before disbursements.

Ernst & Whinney

Appendix I

RESEARCH GRANT
CHIANG MAI UNIVERSITY
GRANT NO. 936-5542-G-00-5044-00
DEVELOPMENT OF AN IMMUNOPEROXIDASE TEST FOR EARLY DIAGNOSIS
OF ACUTE REACTIONAL STATES IN EARLY LEPROSY PATIENTS

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

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CHIANG MAI UNIVERSITY
DEVELOPMENT OF AN IMMUNOPEROXIDASE TEST FOR EARLY
DIAGNOSIS OF ACUTE REACTIONAL STATES IN EARLY LEPROSY PATIENTS

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* These pages are not included, refer to summary report.

6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Actual</u>	<u>Verification</u>	
	<u>US\$</u>	<u>Baht</u>	<u>to date</u>	<u>Spending</u>	<u>Baht</u>	<u>%</u>
SALARY	29,000	783,000	688,520	646,612	646,612	100
EQUIPMENTS	20,000	540,000	540,000	523,400	523,400	100
MATERIAL AND SUPPLY	19,400	523,800	411,422	437,150	305,866	70
TRAVEL	12,500	337,500	248,178	279,785	260,754	93
CONSULTATION	9,000	243,000	212,625	212,625	212,625	100
ADDITIONAL	7,500	202,500	171,938	215,737	68,892	32
OVERHEAD	10,000	270,000	213,354	164,600	164,600	100
TOTAL	107,400	2,899,300	2,491,565	2,479,909	2,182,749	88

Questioned
Cost
(Baht)

6.1 Based on total disbursement selected, Baht 261,683 is questioned as to the adequacy of supporting documents. Details of which are as follow :

<u>Particular</u>	<u>Baht</u>	
6.1.1 No documentation	57,009	
6.1.2 Inadequate external documentation	194,549	
6.1.3 Recipient cannot be ascertained	<u>10,125</u>	
	261,683	261,683
	=====	

Specific examples are as follows :-

6.1.1 No documentation

Test from book of account to source documentation reveals that the following transactions as recorded are not supported by any internal or external documentation. Although entries in the book of account refers to payment vouchers and after inquiries by Ernst & Whinney the person entrusted with accounting duties could not locate the requested documents.

Payment Voucher			Amount	
<u>No.</u>	<u>/</u>	<u>Date</u>	<u>Description</u>	<u>(Baht)</u>
001	/	30. 7.85	Salary - Khun Atcha	13,808
002	/	30. 7.85	Salary - Khun Nongyao	6,523
003	/	30. 7.85	Salary - Khun Uthaiwan	7,000
004	/	30. 7.85	Salary - Khun Uthaiwan	3,500
005	/	30. 7.85	Salary - Khun Choti	3,375
006	/	30. 7.85	Salary - Khun Samreung	3,375
007	/	30. 7.85	Salary - Khun Vinai	3,375
008	/	30. 7.85	Salary - Khun Sanit	3,375
009	/	30. 7.85	Shipping expenses	3,892
037	/	25. 9.86	Shipping expenses	6,626
340	/	29.12.86	Patient cost	<u>2,160</u>
				<u>57,009</u>

6.1.2 Inadequate external documentation

Payments are not supported by adequate external documentation as detailed by the following :

<u>Payment Voucher</u>			<u>Amount</u>	<u>Reason</u>
<u>No. / Date</u>	<u>Description</u>		<u>(Baht)</u>	<u>for</u>
				<u>questioned</u>
				<u>costs</u>
34 / 12. 9.85	International travel		83,205	No airline ticket for travel of Dr. Choti and Dr. Samreung
63 / 4.11.85	Lab supplies		18,072	No external documents *
64 / 5.11.85	International travel		25,169	No receipt
127 / 21. 2.86	Office equipment		17,150	No receipt
168 / 8. 4.86	International travel		32,125	No receipt
344 / 21. 1.87	Material & supply		18,828	No receipt*
			<u>194,549</u>	
			=====	

* - These transactions are also not supported by receiving report/delivery order in order to substantiate the receiving of goods.

6.1.3 Recipient cannot be ascertained

Payments are not supported by signature of recipients as follow :

<u>PV No./</u>	<u>Date</u>	<u>Description</u>	<u>Amount (Baht)</u>
103	/ 27. 2.85	Consultation fee	3,375
231	/ 26. 6.86	- do -	3,375
355	/ 28. 1.87	- do -	3,375
			10,125
			=====

6.2 In certain cases there are insufficient documentary evidence as to the receipt of goods/services as detailed by the following :

<u>Payment Voucher</u>		<u>Amount</u>
<u>No. /</u>	<u>Date</u>	<u>(Baht)</u>
49	/ 30. 9.85	Lab supplies 39,511
146	/ 10. 3.86	Sheep anti-mouse serum 14,754
147	/ 14. 3.86	Microcomputer, printer and accessories 64,000
169	/ 10. 4.86	Liquid nitrogen tank and chemicals 33,154
218	/ 18. 6.86	Refrigerator 9,700
257	/ 18. 8.86	Biotin and Peroxidase <u>10,385</u>
		171,504 171,504
		=====

6.3 Over Reporting of Expenditure

Amount of Baht 48,250 was included as overhead expense per "Status of Funds/And Request for Funds" as at 31st March, 1987 but were not recorded in books of account nor supported by any internal or external documentation.

48,250

- 6.4 Payments for travel of Baht 255,914 (ie. Baht 260,754 less refund of Baht 4,840) do not state the purpose of the trips.

Due to the fact that amount of Baht 140,499 is already questioned in 6.1.2, the questioned cost of this matter is Baht 115,415.

115,415

7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of the grant agreement. The exceptions are as follow :

- 7.1 Interest received from the grant's bank savings accounts of Baht 13,865 was not credited to the grant.

- 7.2 Salaries of Baht 5,250 were paid to one technician and one technician assistant are not addressed in the budget nor is there written approval from USAID. Details are as follow .

<u>Position</u>	<u>Amount (Baht)</u>	
Technician	4,050	
Technician Assistant	<u>1,200</u>	
	5,250	5,250
	=====	

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- 7.3 Disbursements for purchase of equipment of Baht 99,700 were neither addressed in the budget nor were there written approval from USAID as detailed by the following :

Payment Voucher			Amount	
<u>No.</u>	<u>/</u>	<u>Date</u>	<u>Description</u>	<u>(Baht)</u>
35	/	12. 9.85	Refrigerator 1 unit	9,000
147	/	14. 3.86	Microcomputer 1 unit	64,000
218	/	18. 6.86	Refrigerator 1 unit	9,700
271	/	29. 8.86	Memmert 30 B incubator with timer	<u>17,000</u>
				99,700
				=====

Due to the fact that costs of microcomputer and refrigerator of Baht 64,000 and Baht 9,700 respectively are already questioned in 6.2, the questioned cost of this matter is Baht 26,000.

26,000

- 7.4 Some expenditures are not recorded in the correct line items and should therefore be reclassified in order to form a proper basis for the computation of 15 percent allowable variance. Details are as follow :

7.4.1 Payment for equipment of Baht 56,754 were included as "Material and Supply" could be questioned as to whether it should be classified as "Equipment" instead. Details are as follow :

<u>Payment Voucher</u>		<u>Amount</u>
<u>No. / Date</u>	<u>Description</u>	<u>(Baht)</u>
21 / 22. 8.85	Water Bath "W 350"	
	Memert	10,000
	Vertexginear mixer	
	1 unit	5,400
91 / 19.12.85	Weighting machine	
	1 unit	3,700
	Blood Pipette Shaker	
	1 unit	4,500
153 / 10. 4.86	Liquid Nitrogen Tank	
	and chemicals	<u>13,154</u>
		56,754
		=====

7.4.2 Payments for equipment of Baht 116,350 were included as "Overhead" could be questioned as to whether it should be classified as "Equipment" instead. Details are as follow :

<u>Payment Voucher</u>		<u>Amount</u>
<u>No. / Date</u>	<u>Description</u>	<u>(Baht)</u>
127 / 21. 2.86	Office equipment : four sets of tables and chairs, one type-writer table and one cabinet	17,150
142 / 7. 3.86	Thai Olympia typewriter 1 unit and English Olympia typewriter 1 unit	17,600
275 / 26. 9.86	Hard disk drive 1 unit	29,600
325 / 28.11.86	Centrifuge	23,200
362 / 19. 2.87	Liquid nitrogen tank	<u>28,800</u>
		116,350
		=====

In addition, such purchase of equipment were neither addressed in the budget nor were there written approval from USAID.

Due to the fact that cost of office equipment of Baht 17,150 is already questioned in 6.1.2, the questioned cost of this matter is Baht 99,200.

7.5 Travel tax of Baht 2,000 which is included as "Travel" expenditure on payment voucher no. 34 dated 12th September, 1985 is disallowable under the Standard Provision.

(NOTE : The amount is already included in 6.4)

	-
	*
Total Questioned Costs	727,302
	=====

* The amount of Baht 727,302 is equal to US dollars 27,973 at the exchange rate of 1US\$ = Baht 26.

8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (1) Shortcomings or lack of internal control which are fundamental :
 - In protecting an entity's resources against waste, fraud and inefficiencies.
 - In ensuring the accuracy and reliability of the entity's accounting/operating data.
 - In securing compliance with the terms of grant agreement.
- (11) Improvements in order to supplement the existing system of internal control.

1
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8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

8.1.1 Administration of Grant Funds

Responsibility for the administration of grant funds is with the Principal Investigator rather than that of the research grantee institution as set out in section 3.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie: to allow greater time to be devoted to research work) administration could be performed by Chiang Mai University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

8.1.2 Segregation of Duties

Recording, custody and reconciliation functions are carried out by only one person as noted below.

1. Preparing payment voucher
2. Custody of unused cheque
3. Preparing cheque
4. Recording of books of account
5. Preparing bank reconciliation

It is recommended that the function of custody of unused cheque and preparing cheque be assigned to another person in order to strengthen control over the project fund.

Ub

8.1.3 Cash book

Savings account and related interest income are not recorded in book of account. Only current account (eg. cheques account) transactions are recorded.

It is recommended that transactions related to savings account also be recorded in book of account in order to strengthen internal control over all project fund. In addition, monthly reconciliation between book of account and bank books should be carried out.

8.1.4 Cheque Disbursement

Authorisation for disbursement from bank savings and current accounts are by the Principal Investigator only.

It is recommended that disbursements from bank accounts be authorised by two persons in order to increase the element of checking as to the propriety of payments.

8.1.5 Fixed Assets

No fixed assets register nor tag numbers are assigned to fixed assets. In order to provide a sound control over fixed assets, acquisition date, value, location and tag number be maintained and kept up to date.

Tag numbers should be affixed to assets to facilitate identification and inspection of assets against register is to be carried out annually.

8.1.6 Approval for Recruitment of Staff or Rate Adjustment

At present, no written approval for recruitment of staff and rate adjustment are available such that there is no proof that recruitment of staff or rate adjustment are made by authorized person.

It is recommended that written authorization by a responsible person should be undertaken for any changes as to rate or personnel and be provided to accounting staff prior to disbursements.

8.1.7 Payment - Supporting Documents

With reference to 6.1, in order to substantiate payments the following are recommended :-

- (i) Payment vouchers should be prepared and effectively authorised before disbursement and third party evidence (eg : official receipt) containing details of name or trade-name and location of the entity issuing the receipt, date, amount, kind, description, quantity and price of goods be obtained.
- (ii) Should this not be feasible (ie : payment to individual), photocopy of identification card including signatory of recipient be obtained.

8.1.8 Disbursement - Terms of Grant Agreement

With respect to 7.2, 7.3 and 7.4 are that disbursements are neither in accordance with the budget nor are there prior written approval from USAID.

It is recommended that disbursements not in accordance with the budget, should be made against prior approval from USAID.

8.1.9 Travel Tax - Terms of Grant Agreement

With reference to 7.5 in order to comply with the terms of grant agreement, travel tax cannot be reimbursed from USAID.

8.1.10 Travel Voucher

With reference to 6.4 in order to comply with the terms of grant agreement, travel voucher should be prepared for requisition of travelling and submitted to responsible official for approval. The travel vouchers should indicate the following :

- (a) time and date of departure and arrival,
- (b) locations visited,
- (c) details of costs incurred, supported by documentation,
- (d) purpose of trip,
- (e) approval by responsible official.

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8.2 IMPROVEMENTS

8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

8.2.2 Evidence of Goods and Services Received

No documentary evidence of receiving of goods and services are available, in certain cases as set out in 6.2, such that there is no proof as to the receipt of benefits.

It is recommended that receiving reports or acknowledgement on delivery order be prepared in order to substantiate that benefits had been received.

8.2.3 Withholding Tax

Payments of salary and per diem allowance exceeding the rate authorised by the Revenue Authorities to project personnel are not subjected to withholding tax.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.4 Withholding Tax - Corporate Income Tax

Payments of goods to suppliers are made without withholding tax of 1 percent. Any payments made by the government unit to juristic body should be deducted withholding tax at the rate of 1 percent as per section 69 bis of the Revenue Code.

Failure to deduct withholding tax could render the Project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that 1 percent withholding tax be deducted when any payments are made to juristic body in order to preclude the consequence of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.5 Insurance Cover

There is no insurance cover for assets purchased by USAID's fund.

Because value of fixed assets is significant with respect to this grant we recommend that insurance policy be made to cover valuable assets.

7/1

9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT

Ernst & Whinney

G.P.O. Box 1047
Sinthon Building, 9th Floor.
132 Wireless Road, Bangkok 10500, Thailand.

24th June, 1987

Telephone: 2500233-7
Cable: ERNSTAUDIT BANGKOK
Telex: 87661 ERNST TH
FAX: (66) 2-2501479

(formerly Turquand Youngs & Co.)

Dr. Choti Theetrant,
Principal Investigator,
Department of Pathology,
Faculty of Medicine,
Chiang Mai University,
CHIANG MAI.

Dear Sir,

CHIANG MAI UNIVERSITY
GRANT NO. 936-5542-G-00-5044-00
DEVELOPMENT OF AN IMMUNOPEROXIDASE TEST FOR EARLY DIAGNOSIS
OF ACUTE REACTIONAL STATES IN EARLY LEPROSY PATIENTS

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

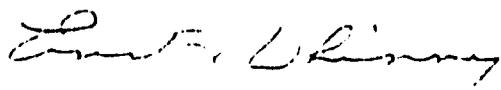
Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

In addition to the foregoing please advise in writing as to the following :

- (i) Set out in 6.4 please state whether payments for travel are related to this grant.
- (ii) Set out in 7.2 please state whether or not the two staffs not addressed in the budget perform services related to this grant.
- (iii) Set out in 7.3 and 7.4 please state whether the items purchased are related to this grant.

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,

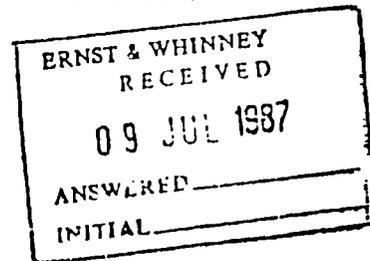


ภาควิชาพยาธิวิทยา
คณะแพทยศาสตร์ มหาวิทยาลัยเชียงใหม่

DEPARTMENT OF PATHOLOGY
FACULTY OF MEDICINE
CHIANG MAI UNIVERSITY
Chiang Mai, Thailand
Telephone : 221122-1273

3 July 1987

Messrs Ernst & Whinney
G.P.O. Box 1047
Sinthon Building, 9th Floor
132 Wireless Road
Bangkok 10500



RIHES Ref: 8.2.3.

RE: Grant No 936-5542-G-00-5044-00
DEVELOPMENT OF AN IMMUNOPEROXIDASE TEST FOR EARLY DIAGNOSIS
OF ACUTE REACTIONS IN LEPROSY

Dear Sirs,

Thank you for your letter of 24 June and the draft report of your review of the financial and internal controls systems of our grant.

Answers to your questions are detailed below:

(i) All travel, international and domestic, purchased with grant funds was made solely in connection with fulfilling the research goals of the grant and to further the work through observation, liaison, and discussion. In September 1985 my co-investigator, Dr Samreung Rangdaeng, and I travelled to the United States, first to Hawaii to the laboratories of my collaborator (and co-principal investigator), Dr David M. Scollard, and then to other laboratories in the United States carrying out similar or related research. Dr Scollard was invited here on three occasions, namely, November 1985, April 1986, and February 1987 for the purposes of collaborating with us in the carrying out of this research project.

All travel funds were requested beforehand from the USAID in the accepted format and the purpose of the trip was spelled out. Permission was granted for the travel in each case. It is unfortunate that we did not keep the cancelled tickets; however, the invoices on our files clearly indicate the routing and carrier.

(ii) The technician and technical assistant were hired by me and employed to work exclusively on this project. I was never aware of any rule requiring that I seek prior permission to hire (and fire) personnel on this grant; and indeed, I assumed I had full authority to determine the level of technical and support personnel needed to carry out the research work.

(iii) All equipment purchased locally with grant funds are used exclusively for the purpose of conducting the research work of the grant. Four items, namely, two refrigerators, a microcomputer, and an incubator, were charged to the equipment category. No prior permission for their purchase was sought from AID; and indeed, here again, I assumed I had full authority to determine the material and equipment needed to support this project.

11)

Items (minor equipment) charged to the material and supply category were all under US\$500, and considering their low cost, I saw no reason to reclassify them as "equipment" items requiring any special reporting or inventory procedures.

Office equipment, typewriter, hard disk drive, centrifuge, and liquid nitrogen tank were all items purchased with funds earmarked as "overheads" and are all used exclusively in support of the project work. I did not know that their purchase required prior AID approval.

In summary, we stand at fault in not having certain supporting documents (some were not kept or obtained because we did not know they would be required at a later date; and others have been misfiled and cannot be found). Despite these shortcomings, all expenditures made from grant funds have been spent solely on support of the research.

With best wishes.

Choti Theetrant

Choti Theetrant, MD
Chairman

cc: Dr Avudh Srisukri, Rector, Chiang Mai University

Ernst & Whinney

Appendix II

RESEARCH GRANT
CHIANG MAI UNIVERSITY
GRANT NO. 936-5342-G-00-5056-00
EVALUATION IN VITRO OF INTERLEUKIN 1 AND INTERLEUKIN 2
AS POSSIBLE IMMUNOTHERAPEUTIC AGENTS IN LEPROSY

PREPARED FOR : REGIONAL INSPECTOR GENERAL/AUDIT/MANILA

PREPARED BY : ERNST & WHINNEY (BANGKOK)

CHIANG MAI UNIVERSITY
EVALUATION IN VITRO OF INTERLEUKIN 1 AND INTERLEUKIN 2
AS POSSIBLE IMMUNOTHERAPEUTIC AGENTS IN LEPROSY

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4. AUDIT	3 *
5. SCOPE OF WORK	4 *
6. RESULT OF VERIFICATION OF DISBURSEMENTS	5-8
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8. STUDY AND EVALUATION OF INTERNAL CONTROL	10-14
8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL	10-13
8.2 IMPROVEMENTS	13-14
9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT	

* These pages are not included, refer to summary report.

6. RESULT OF VERIFICATION OF DISBURSEMENTS

<u>Description</u>	<u>Total Budgeted</u>		<u>Fund received</u>	<u>Actual</u>		<u>Verification</u>
	<u>US\$</u>	<u>Baht</u>	<u>to date</u>	<u>Spending</u>	<u>Verification</u>	
			<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	
SALARY	40,000	1,080,000	805,950	667,208	667,208	100
EQUIPMENTS	52,000	1,404,000	1,404,000	1,311,507	1,311,507	100
MATERIAL AND SUPPLY	29,000	783,000	621,000	818,074	494,323	60
TRAVEL	12,000	324,000	-	-	-	-
CONSULTATION	9,000	243,000	182,250	-	-	-
TRANSPORTATION AND PATIENT COST	4,000	108,000	81,000	15,600	15,600	100
CENTRAL RES. FAC. COST	<u>4,000</u>	<u>108,000</u>	<u>72,000</u>	<u>10,000</u>	<u>10,000</u>	<u>100</u>
TOTAL	150,000	4,050,000	3,166,200	2,822,389	2,498,638	88
	=====	=====	=====	=====	=====	===

Questioned
Cost
(Baht)

6.1 Recorded in Status of Funds/And Request for Funds for the period ended December 31, 1986, were expenses of Baht 533,888 which were neither recorded in the cash book nor were there supporting documentation as at verification date. Details are as follow :

<u>Line Item</u>	<u>Amount</u> <u>(Baht)</u>	
1. Salary	138,745	
2. Equipment	92,493	
3. Consultation	182,250	
4. Transportation and Patient Cost	65,400	
5. Central Research Facility Cost	<u>55,000</u>	
	533,888	533,888
	=====	

6.2 In certain cases there are insufficient documentary evidence as to the receipt of goods/services as detailed by the following :

<u>Line Item</u>	<u>Payment Date</u>	<u>Description</u>	<u>Amount</u> <u>(Baht)</u>	
Equipment	27-9-85	Purchase of 1 unit of Refrigerator National NR 450 EA	33,200	
	31-1-86	Cost of Vertical Laminar Flow Hood	109,270	
	6-3-86	Cost of Centrifuge	154,462	
	10-7-86	Cost of Beta Counter	<u>788,125</u>	
			1,085,057	1,085,057
			=====	

Ernst & Whinney

<u>Line Item</u>	<u>Payment Date</u>	<u>Description</u>	<u>Amount</u> <u>(Baht)</u>
Material			
and Supply	6- 8-85	Daisy Wheel	2,149
	9- 8-85	Heparin Leo	1,200
	15- 8-85	Clock	535
	28- 8-85	Erlommeyer	102
		Moose	4,300
	16- 9-85	Aluminium Board	5,000
	23- 9-85	Air-conditioner	
		35,200 BTU	8,000
	10-10-85	Isotope	18,000
	3- 2-86	Isotope	18,000
	2- 4-86	Clothes	720
	8- 4-86	Flask	429
	-- 5-86	Stationery and	
		Lab supplies	3,072
	11- 6-86	Foil	573
	16- 6-86	Rubber tube for	
		gas and oil	
		detector	1,235
	20- 6-86	Stationery .	923
	24- 6-86	Gowns	520
		Miscellaneous	1,620
	1-10-86	Accessories for	
		gas and oil	
		detector	2,725
	2-10-86	Heparin	300
	20-10-86	Plaster	160
	20-10-86	Liquid N	7,640
	24-10-86	Diagnostic	9,650
	24-10-86	Kimax 45212	
		Centrifuge	
		tube	16,619
	31-12-86	Electrical	
		equipment	2,200
			<u>105,672</u>
			105,672
			=====

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6.3 Test from the cash book to source documentation reveals that the following expenses as recorded are not supported by any internal or external documentation :

<u>Description</u>	<u>Amount (Baht)</u>	
Overtime	90,000	
Transportation	<u>15,600</u>	
	105,600	105,600
	=====	

7. COMPLIANCE - TERMS OF GRANT AGREEMENT

Based on the samples selected there has been compliance with the terms of grant agreement. The exceptions are as follow :

- 7.1 Interest received from the grant's bank savings accounts of Baht 73,134 was not credited to the grant.
- 7.2 Number of Medical Technologists per budget was 2 persons whereas 5 persons were paid. There is no written approval from USAID in which it is questioned whether the additional Medical Technologists perform services related to this grant. However, total cost does not exceed the budget.
- 7.3 Payment for facility cost of Baht 5,000 was included in "Material and Supply" could be questioned as to whether it should be classified to "Central Research Facility Cost" instead, in order to form a proper basis for the computation of 15 percent allowable variance.

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7.4 No timesheets were prepared to document the time actually devoted to the project by the Principal Investigator, Co-Investigator and part-time Medical Technologists. We are therefore unable to state whether such person devoted the time at percentage as set out in the budget or not. Timesheets are however prepared for full-time Medical Technologists and Labware Washer. Details are as follow :-

<u>Position</u>	<u>Amount (Baht)</u>	
Principal Investigator	194,994	
Co-Investigator	194,994	
Medical Technologists	<u>73,420</u>	
	463,408	463,408
	=====	

7.5 Disbursement for equipment of Baht 147,650 was neither in the budget nor was there written approval from USAID as detailed by the following :

<u>Payment Date</u>	<u>Description</u>	<u>Amount (Baht)</u>
27-8-85	1 unit of Refrigerator	14,000
23-9-85	1 unit of Air-conditioning	8,000
27-9-85	1 unit of Refrigerator	33,200
4-2-86	Microcomputer IBM PC	<u>92,450</u>
		147,650
		=====

Due to the fact that cost of the refrigerator of Baht 33,200 is already questioned in 6.2, the questioned cost of this matter is Baht 114,450.

	<u>114,450</u>	*
Total Questioned Costs	2,408,075	
	=====	

* The amount of Baht 2,408,075 is equal to US dollars 92,618 at the exchange rate of 1US\$ = Baht 26.

8. STUDY AND EVALUATION OF INTERNAL CONTROL

Findings and recommendations resulting from study and evaluation of internal control are categorised into two types as follow :

- (i) Shortcomings or lack of internal control which are fundamental :
- in protecting an entity's resources against waste, fraud and inefficiencies.
 - in ensuring the accuracy and reliability of the entity's accounting/operating data.
 - in securing compliance with the terms of grant agreement.
- (ii) Improvements in order to supplement the existing system of internal control.

8.1 SHORTCOMINGS OR LACK OF INTERNAL CONTROL

8.1.1 Administration of Grant Funds

Administration of grant funds are by the Principal Investigator.

In order to promote the efficiency and effectiveness of research undertaken by the Principal Investigator, (ie: to allow greater time to be devoted to research work) administration could be performed by Chiang Mai University. Similarly, the University may be in a better position to administer due to administrative staff complement who are technically competent in administration.

44

8.1.2 Segregation of Duties

Cash receipt, disbursement and authorisation functions are carried out by the Principal Investigator (i.e. Dr. Sanit) as noted below :

1. Approval of payment
2. Approval of hiring/termination
3. Receiving and banking grant fund
4. Preparing cheque/bank's withdrawal voucher for payment
5. Arranging/distribution of pay packets
6. Recording of disbursement

It is recommended that the function of recording, authorisation, custody and execution be segregated from one another in order to strengthen control over the project fund.

8.1.3 Cheque Disbursement

Authorisation for disbursement from bank savings and current accounts are by the Principal Investigator only.

It is recommended that disbursements from bank accounts be authorised by two persons in order to increase the element of checking as to the propriety of payments.

8.1.4 Issuance of Payment Voucher

Payment vouchers are not prepared prior to disbursement for purchase of equipment, material and supply and transportation.

In order to ensure that all payments are made with prior approval, payment vouchers should be prepared and effectively authorised before disbursements.

8.1.5 Issuance of Purchase Order

Purchase orders are not prepared prior to purchase of equipment.

In order to ensure that all purchase of equipment are made with prior approval, and to establish the understanding between vendor and purchaser, purchase order should be prepared and effectively authorised before purchasing.

8.1.6 Bank Reconciliation

Bank reconciliations are not prepared.

Bank reconciliations should be prepared and documented for all bank accounts on a monthly basis and submitted to higher responsible official for review and be initialled as evidence of reviewing.

8.1.7 Fixed Assets

No fixed assets register nor tag numbers are assigned to fixed assets.

In order to provide a sound control over fixed assets, acquisition date, value, location, tag number be maintained and kept up to date. Tag numbers should be affixed to assets to facilitate identification and inspection of assets against register is to be carried out annually.

4/5

8.1.8 Time Record

With reference to 7.4 in order to comply with the terms of grant agreement, time record should be prepared to document the time actually devoted to the project by each person.

8.1.9 Disbursement - Terms of Grant Agreement

Ancillary to 7.2 and 7.5 are that disbursements are neither in accordance with the budget nor are there prior written approval from USAID.

It is recommended that disbursements not in accordance with the budget should be made against prior approval from USAID.

8.2 IMPROVEMENTS

8.2.1 Payment - Cancellation

Authorised payment vouchers and related supporting documents are not stamped "PAID" or otherwise being cancelled upon payments.

Cancellation should be made immediately on authorised payment vouchers and related supporting documents after payments had been made in order to prevent resubmission.

8.2.2 Evidence of Goods and Services Received

No documentary evidence of receiving of goods and services are available, in certain cases as set out in 6.2, such that there is no proof as to the receipt of benefits.

It is recommended that receiving reports or acknowledgement on delivery order be prepared in order to substantiate that benefits had been received.

8.2.3 Withholding Tax - Personal Income Tax

Payments of salary to project personnel are not subjected to withholding tax.

Failure to deduct withholding tax could render the project to be jointly liable for the tax shortfall and surcharge of 1.5 percent per month (maximum of 100 percent).

It is recommended that withholding tax be deducted when such payments are made to staff in order to preclude the consequences of the Revenue Code despite the fact at this point in time the amount involved is insignificant.

8.2.4 Insurance Cover

There is no insurance cover for assets purchased by USAID's fund.

Because value of fixed assets is significant with respect to this grant we recommend that insurance policy be made to cover valuable assets.

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Ernst & Whinney

9. PRINCIPAL INVESTIGATOR'S RESPONSE TO THE REPORT

Ernst & Whinney

23rd June, 1987

Dr. Sanit Makonkawkeyoon,
Principal Investigator,
Department of Clinical Immunology,
Faculty of Associated Medical Sciences,
Chiang Mai University,
CHIANG MAI.

G.P.O. Box 1047
Sinthon Building, 9th Floor,
132 Wireless Road, Bangkok 10500, Thailand.

Telephone: 2500233-7
Cable: ERNSTAJDIT BANGKOK
Telex: 87661 ERNST TH
FAX: (66) 2-2501479
(formerly Turquand Youngs & Co.)

Dear Sir,

CHIANG MAI UNIVERSITY
GRANT NO. 936-5542-G-00-5056-00
EVALUATION IN VITRO OF INTERLEUKIN 1 AND INTERLEUKIN 2
AS POSSIBLE IMMUNOTHERAPEUTIC AGENTS IN LEPROSY

Enclosed for your consideration please find a copy of our report (draft) in conjunction with the review of financial and internal control systems of the referenced subject.

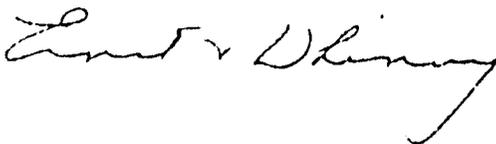
Should you concur with the accuracy of the report kindly acknowledge in writing within two weeks from the date of this letter in order that the final report can be issued to USAID. Please feel free if you wish to provide us with any additional information/documents so as to ensure the accuracy and completeness of the report.

In addition to the foregoing please advise in writing as to the following :

- (i) Set out in 7.2 please state whether or not the additional Medical Technologist not addressed in the budget perform services related to the grant.
- (ii) Set out in 6.2 please state whether the "equipment" and "material and supplies" had been received or not.
- (iii) Set out in 7.5 are purchases of equipment not addressed in the budget. Please state whether the subject equipment when purchased are brand new equipment or "used equipment" (eg : second hand). Furthermore please state the capacity of the air-conditioner in terms of capacity (ie : BTU).

We would like to take this opportunity to express our appreciation to all members of the staff who have assisted us in carrying out our work.

Yours faithfully,



CA/kte

CHIANG MAI UNIVERSITY

DEPARTMENT OF CLINICAL IMMUNOLOGY
Faculty of Associated Medical Sciences

Chiang Mai 50002 Thailand

Telephone (053)-221122 Extension 1687

July 21, 1987

Ernst & Whinney
GPO Box 1047
Sinthon Building, 9th Floor
132 Wireless Road
Bangkok 10500

ERNST & WHINNEY RECEIVED 24 JUL 1987 ANSWERED _____ INITIAL _____

RE : USAID Grant No.: 936-5542-G-00-5056-00 - Evaluation in vitro of
Interleukin 1 (IL-1) and Interleukin 2 (IL-2) as possible
immunotherapeutic agents in leprosy.

Dear Sirs:

Thank you for your letter of 23 June 1987 in which you enclose the report
of your financial review of our grant records.

I have been abroad on official leave of absence and only returned to
Chiang Mai on July 17. I have therefore missed the two-week deadline for
reply to your enquiries of 23 June. Nevertheless - and for the record - I
should like these comments to be forwarded to USAID, or incorporated in your
final report if it is not too late.

1. On the question of compliance with grant terms, particularly in
reference to 7.2, I hired two full time personnel and three part time personnel
to work on this project. I understood that as principal investigator I had
full authority to determine the level of personnel support necessary to carry
out the research work; and at no time was I aware of any requirement that I
had to report changes in personnel to USAID.

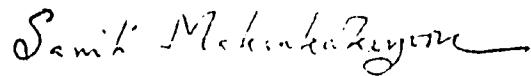
2. All equipment and material and supply items recorded in 6.2. of your
report have been received and are being used solely in support of the research
work of this grant. The equipment is physically present in the Department of
Clinical Immunology and was actually shown to auditors.

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5. All equipment recorded in 7.5. of your report was purchased new and is being used exclusively in support of the research work. BTU capacity of the airconditioner is 24,000. This piece of equipment cost the project Bt 8,000, the suppliers having added Bt 20,000 to the total cost of the airconditioner as a gift to the Faculty of Associated Medical Sciences. I regret that this was not made clear to auditors at the time of their review.

With best wishes.

Yours sincerely,



Sanit Makonkawkeyoon, Ph.D.

Head, Department of Clinical Immunology
and Principal Investigator

cc: Dr. Avudh Srisukri, Rector, Chiang Mai University

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Assistant to the Administrator for Management (AA/M)	2
Office of Financial Management (M/FM/ASD)	2
SAA/S&T, (AGR)	1
PPC/CDIE	3
Office of the Inspector General	
IG	1
S/IG	1
AIG/A	1
IG/PPU	2
IG/LC	1
IG/EMS	12
IG/PSA	1
AIG/II	1
IG/II	1
IIC/II	1